

Message Text

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ACTION EB-07

INFO OCT-01 AF-08 ISO-00 AGRE-00 COME-00 OMB-01 TRSE-00
STR-04 SP-02 L-03 H-01 CIAE-00 INR-07 NSAE-00 /034 W
----- 040278 /10
R 170645Z DEC 76
FM AMEMBASSY BUJUMBURA
TO SECSTATE WASHDC 5848

LIMITED OFFICIAL USE BUJUMBURA 1169

E.O. 11652: N/A
TAGS: EAGR, ETRD, BY
SUBJECT: COFFEE PRICES

REF: STATE 302391

1. THE INFORMATION REQUESTED IN PARA 2 OF REFTEL IS AS FOLLOWS:

(A) THE GOVERNMENT HAS FIXED THE CURRENT INTERNAL RETAIL PRICE OF COFFEE SOLD BY MERCHANTS IN BURUNDI AT 101 CENTS A POUND. THE STATE ORGANIZATION WHICH DOES THE GRADING OF COFFEE, AMONG OTHER THINGS, SELLS IN INFINITESIMAL AMOUNT IN PROMOTIONAL PACKETS AT 76 CENTS A POUND.

(B) THE CURRENT PRICE PAID BY DOMESTIC ROASTERS IS 46 CENTS A POUND. THE STATE ORGANIZATION CITED ABOVE ALSO DOES SOME OF THE ROASTING, AND ITS DIRECT ROASTING EXPENSES TOTAL ABOUT 13 CENTS A POUND.

(C) THE CURRENT EXPORT TAX ON GREENCOFFEE IS 34 CENTS A POUND. THERE ARE NEITHER MINIMUM EXPORT PRICES, ALTHOUGH THE CENTRAL BANK COULD SET SUCH PRICES, NOR RETENTION REQUIREMENTS OR OTHER GOVERNMENT MEASURES WHICH ENCOURAGE OR DISCOURAGE COFFEE EXPORTS.

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(D) THE PRICES BEING PAID TO PRODUCERS ARE 33 CENTS A POUND FOR PARCHMENT COFFEE OF 15 PERCENT HUMIDITY, AND 46 CENTS A POUND FOR MARKETABLE GREEN COFFEE.

(E) THE GOVERNMENT HAS NO PROGRAM WHEREBY CREDIT IS EXTENDED TO THE COFFEE GROWERS WHO ARE MOSTLY SMALL FARMERS. IT DOES

PROVIDE, HOWEVER, SOME FREE FERTILIZER AND INSECTICIDES TO THEM, WHICH ARE BOUGHT WITH FUNDS FROM A WORLD BANK LOAN. THE AIM IS TO ENHANCE QUALITY, WHICH HAS BEEN SLIPPING CONSTANTLY AND BADLY SINCE THE 1960'S. THE WORLD BANK LOAN IS ALSO PAYING FOR SEVERAL TECHNICAL ASSISTANCE EXPERTS.

2. NEITHER THE GOVERNMENT PRICING SCHEMES, NOR THE ASSISTANCE FROM THE WORLD BANK CITED IN (E) WILL LEAD TO SUCH INCREASES IN COFFEE PRODUCTION AS TO BOOST BURUNDI TO A POSITION OF ANY SERIOUS IMPACT ON WORLD COFFEE MARKETS. ALTHOUGH COFFEE IS ESSENTIAL TO THE FOREIGN EXCHANGE EARNINGS OF BURUNDI, ITS OUTPUT IS AN INCONSEQUENTIAL 0.5 PERCENT OF TOTAL WORLD OUTPUT, A LITTLE MORE THAN ONE PERCENT OF BRAZIL'S, OR SLIGHTLY MORE THAN TWO PERCENT OF AFRICA'S TOTAL PRODUCTION.
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: COFFEE, PRICES, MARKET SURVEYS
Control Number: n/a
Copy: SINGLE
Draft Date: 17 DEC 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: coburnhl
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976BUJUMB01169
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760464-0612
From: BUJUMBURA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761231/aaaababp.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 76 STATE 302391
Review Action: RELEASED, APPROVED
Review Authority: coburnhl
Review Comment: n/a
Review Content Flags:
Review Date: 23 JUN 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <23 JUN 2004 by buchant0>; APPROVED <04 OCT 2004 by coburnhl>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: COFFEE PRICES
TAGS: EAGR, ETRD, BY
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006